



Stevens threatens regulation

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Just a day after Reserve Bank assistant governor Philip Lowe told the banking industry it needed to do more to develop competitive retail payments infrastructure, RBA governor Glenn Stevens has spoken about the “particular challenges” the central bank has faced in promoting competition and efficiency in the payments system.

Stevens said the Eftpos system remained “essentially unchanged” from the days of its establishment in the 1980s.

He said he was looking for fundamental change to a system that was falling behind and he would use regulation to achieve that goal if the industry could not get its house in order.

He said: “The fact that the system is built on bilateral links between all the major participants means there is no one standardised communications protocol between the participants and no established mechanism to foster improvements and expansion in the network.”

Getting all the competitors to agree to change their bilateral links has made for slow progress.

Stevens made it clear that as overseer of the payments system, the RBA is unhappy that it took eight years to get the ATM direct charge reform, which took effect at the start of the month, in place.

“Pressures for change are building. The network structure needs to be updated and services to customers are starting to fall behind those available in other countries.”

Stevens said it may be “relevant” for the RBA to set standards for change to retail payments infrastructure, in the way it had done with credit card interchange price setting.

“If the industry is unable to carry forward reform and innovation by itself, the Reserve Bank would consider making more extensive use of the tools at its disposal.”